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ABSTRACT

Community-based development organizations (CBDOs) appear to be a major force for the economic and physical rejuvenation of distressed, low-income communities. A CBDO is a private nonprofit group that serves a low-income community or constituency, is governed by a community-based board, and is an ongoing producer, with at least one completed housing, commercial/industrial, or business enterprise project. Statistical data were analyzed from a 1988 survey of 961 CBDOs that focused on the following types of quantifiable accomplishments: (1) housing units completed; (2) non-residential real estate developed; (3) enterprises created; and (4) jobs generated. The following major findings are discussed: (1) CBDOs operate in every state and in virtually every major city and account for many of the current efforts to meet the needs of low-income persons; (2) CBDOs have built more than 125,000 units of housing, over 90 percent for low-income occupants; (3) CBDOs have developed 16.4 million square feet of retail space, offices, industrial parks, and other industrial developments in economically distressed communities; (4) CBDOs have made loans to 2,048 enterprises, have equity investment in 218 ventures, and own and operate 427 businesses; (5) commercial/industrial and business enterprise development activities accounted for the creation and retention of almost 90,000 jobs in the last 5 years; and (6) CBDOs are engaged in numerous activities, including community counseling, advocacy, homeless assistance, and housing counseling, that are critical to the overall process of community-based development. Statistical data are included on a map. A discussion of the research approach is appended. (FMW)

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Against All Odds

The Achievements of Community-Based Development Organizations

March, 1989

Highlights

Anecdotal accounts and small-scale studies have fueled speculation in recent years that community-based development organizations (CBDOs) are a major force for the economic and physical rejuvenation of distressed, low-income communities. "Against All Odds: The Achievements of Community-Based Development Organizations" — a survey of a significant portion of the nation's CBDOs — provides for the first time, concrete data measuring the accomplishments of these organizations.

Conducted in late 1988, the survey focused on the quantifiable accomplishments of these groups — housing units completed, other real estate developed, enterprises created, jobs generated. For the study, a CBDO was defined as a private, locally based nonprofit organization committed to serving a low-income population (that is, people whose incomes are below 80% of the area median income). Moreover, to be included, a CBDO was to have ongoing, direct involvement in development, with at least one project completed in housing, commercial/industrial or business enterprise development.

The survey's 834 respondents represent a very substantial sample, comprising about half of the existing organizations that could be classified as CBDOs. As the first large-scale compilation of data about the work of CBDOs nationwide, this is a landmark study, providing a baseline from which to measure the progress of CBDOs into the 1990s and beyond. Nonetheless, the findings must be considered in perspective: they create a picture of only a portion of the activities of the entire community-based development field.

Here is what "Against All Odds" portrays:

- CBDOs operate in every state and in virtually every major city in America, and account for many of the current efforts to meet the needs of low-income persons in both urban and rural communities.

- CBDOs have built nearly 125,000 units of housing, over 90% for low-income occupants.

- CBDOs have developed 16.4 million square feet of retail space, offices, industrial parks and other industrial developments in economically distressed communities.

- CBDOs have made loans to 2,048 enterprises, equity investments in 218 ventures and own and operate 427 businesses.

- CBDO commercial/industrial and business enterprise development activities have accounted for creation and retention of close to 90,000 jobs in the last five years.

- CBDOs are engaged in numerous other activities — such as community organizing, advocacy, assistance to the homeless and housing counseling— that are critical to the overall process of community-based development.

Background: The Emergence of CBDOs

Community-based development is still a relatively new field, little more than two decades old. Its modern history can be traced to the early 1960s, when the issues of neighborhood deterioration, poverty and discrimination prompted new, active involvement by diverse groups and individuals. Civic associations, church congregations, business organizations, social service providers, civil rights groups, block clubs, community leaders and others, in both urban and rural America, were moved to band together in partnerships to save and improve their communities. Emphasizing self-determination and self-help, these groups worked with low-income people to address critical needs in the areas of education, training, health and services.

Buoyed by federal, church and foundation funds, these groups created the capacity to deliver services to their constituencies. At the same time, they became training grounds for leadership development, most notably for blacks and other minority group members. As grassroots organizations, they demonstrated that there were human resources within poor communities that could be mobilized to solve problems and affect change.

In the late 1960s and early 1970s, the logical next step for many of these groups was participation in development; also, new organizations emerged expressly to undertake development activities. Often housing rehabilitation and construction were the first projects of these local nonprofit developers. They also embarked on endeavors in nonresidential real estate, and some focused on economic development by helping businesses to form and grow.

By the mid-1970s, about 200 community-based nonprofit organizations involved in development were estimated to exist in the United States. Now, this survey confirms that their numbers (those having completed at least one housing, commercial/industrial or business enterprise development project) have increased dramatically, to the 1,500 to 2,000 range. Such groups are known by a variety of names: many are called community development corporations (CDCs); some are neighborhood development organizations (NDOs), or are members of the Neighborhood Housing Services (NHS) network; still others go by different titles.

CBDOs operate under difficult circumstances — in distressed areas, with limited capital and shallow pockets, buffeted by changing public and private policies. Yet they have been able to succeed, for several reasons.

- As grassroots organizations, CBDOs understand their communities — the needs, opportunities, resources.

- They operate with a clear mission and a comprehensive, strategic approach to community revitalization; they are involved in a long-term process, with each project building on the last and toward the next.

- They forge partnerships with local developers, lenders, businesses, foundations, religious institutions, other nonprofit organizations and government at all levels.

- CBDOs undertake projects too small or too risky for conventional developers to do alone.

- They have the political and technical skills and the tenacity needed to pull together a complex array of resources needed to get projects done.

For the purposes of the survey, the definition of a CBDO was narrowed to mean a private nonprofit group that is:

- serving a low-income community or constituency;
- governed by a community-based board;
- an ongoing producer, with at least one completed housing, commercial/industrial or business enterprise project.

Thus, the survey did not include other nonprofit developers, such as those not community-based, those primarily serving people other than low-income residents, or those organized for a single project. It excluded public housing authorities, redevelopment agencies and quasi-public entities. Also excluded were community-based organizations not involved in development, such as those that provide social services.

The focus on quantifiable production by CBDOs was a conscious intent of the survey. The relevance of these accomplishments, however, must be understood within a broader context, for they are not the sole objectives of CBDOs. While the "outputs" provide direct benefits to low-income people in the form of housing, jobs, business opportunities, goods and services, they are a means as well as an end. They are evidence — to residents, property owners and outside institutions — that a community can support economic activity.

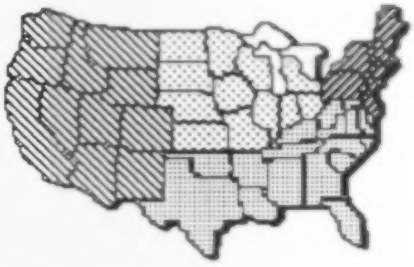
This perception of viability is critical to neighborhood stabilization and improvement. It is fundamental to the process and strategy of community-based development. It works in concert with the other, generally less tangible products of effective CBDOs: capacity building, leadership training, broad community involvement . . . creating a sense of momentum and hope. CBDOs are vital not only for their brick and mortar accomplishments, but for their role in this overall approach.

Survey Findings

CBDOs operate in every part of the United States, serving low-income people in a variety of settings and circumstances.

Community-based development has become a nationwide phenomenon. Every state, the District of Columbia and Puerto Rico were represented by the 834 survey respondents. Where there are active state assistance programs for CBDOs — such as California, Florida, Massachusetts, New York, Ohio and Pennsylvania — there were particularly high numbers of respondents.

The eastern section of the country accounts for the largest proportion of the survey's CBDOs (35% of the total), followed by the central (26%), southern (22%) and western (17%) regions. A similar regional distribution exists in the occurrence of the three types of development — housing, commercial/industrial and business enterprise — undertaken by the CBDOs.



Region	Housing	Commercial/ Industrial	Business Enterprise
Western	16	22	20
Central	25	22	28
Southern	22	19	21
Eastern	37	40	31

Type of Development Percent by Region

CBDOs are operating in virtually every major city in America. Survey responses were received from 49 of the 60 cities with populations of 250,000 or more. While that is important in demonstrating the survey's extensive coverage, it should not lead to the conclusion that CBDOs are exclusively an urban phenomenon. The "critical mass" of a constituency that leads CBDOs to form exists not only in inner-city

neighborhoods, where there are concentrations of low-income residents, but in sparsely populated areas, small towns and suburbs. Indeed, when asked to characterize their target service area, roughly 1 of 5 of the CBDOs described it as rural, and another 15% indicated that they operate in a mixed urban and rural setting.

Most CBDOs reported targeting their services according to geography as well as to a low-income population. Some noted specific constituencies — such as racial and ethnic minorities, senior citizens, farmworkers or single heads of households. When asked which racial/ethnic groups they principally serve, the CBDOs indicated blacks (64%), whites (60%) and Hispanics (41%), mentioned less often were Asian and American Indian groups.

Housing is the most prevalent type of development undertaken by CBDOs, with 631 survey respondents reporting the completion of almost 125,000 units.

Provision of decent housing, affordable on a long-term basis, is a major concern of CBDOs. Eighty-seven percent (725) of the survey respondents are involved in housing production. Of these groups, 57% reported that housing is the only type of development they carry out.

Of the 694 CBDOs completing housing projects, 631 provided data on their accomplishments. These groups have added a total of 124,938 units of housing in their communities. Some 35% of this housing was created by new construction, with the rest entailing rehabilitation at a cost of $10,000 or more per unit. (In addition, 290 groups reported completed 275,062 units of home repair/weatherization that cost under $10,000 per unit.)

CBDOs are involved in developing housing for both renters and owners: 461 groups produced 70,213 units of rental housing, and 430 completed 54,725 units of owner housing. The ability of CBDOs to create both types of housing is noteworthy — especially since the overwhelming majority of the owned units (88%), as well as the rental units (92%) were developed for low-income residents. Not only are CBDOs delivering housing for their target populations, but they are contributing to community stabilization by providing homeownership opportunities for their constituencies.

The statistics on recent production — housing completed during 1986 and 1987 — are of special interest. Of the total 124,938 units, 19% (23,120) were developed by 458 CBDOs during this period. By way of comparison, HUD's new public housing units (exclusive of Indian housing) for low-income families totaled 12,233 for fiscal year 1986, 6,946 for fiscal 1987 and 5,561 for fiscal 1988. In view of the lack of new federally developed housing and the deep subsidies needed to attract for-profit developers, the creation of more than 23,000 units in two years by survey respondents is particularly significant; moreover, these groups represent only about half of the CBDOs actively producing housing and these figures do not include projects under construction.

The survey's CBDOs have developed 16.4 million square feet of commercial/industrial space, leading to over 44,000 permanent jobs.

In addition to housing production, CBDOs work toward community revitalization through creating and rehabilitating neighborhood shopping areas, commercial strips, industrial parks and other nonresidential real estate projects. About 30% (239) of the survey's CBDOs are active in commercial or industrial development, including 181 groups that reported completed projects.

According to the groups that enumerated the employment generated in the past five years by their commercial/industrial development, such projects created 25,746 permanent jobs. Another 18,343 jobs were retained.

In the development of office and retail space, 113 CBDOs reported that they rehabilitated existing facilities, accounting for almost two thirds of the over 8.9 million square feet developed by survey respondents for commercial purposes. Also, 59 CBDOs finished over 3.1 million square feet of newly constructed office or retail space. New construction, on the other hand, was the predominant approach in industrial parks and other industrial development, accounting for 55% of the almost 7.5 million square feet reported by the survey's CBDOs.

More than a third of the groups are active in business enterprise development, as lenders, equity investors or owner/operators.

Another type of development engaged in by CBDOs is the creation and fostering of business enterprises, which provide ownership and job opportunities as well as goods and services to their communities. Approximately 35% (282) of the survey's CBDOs indicated involvement in business enterprise development, including 254 groups that reported their activities as lenders, equity investors or owner/operators.

A total of 2,048 businesses received loans from the CBDOs, mostly for amounts under $25,000. The administering of revolving loan funds was cited as an activity by 133 groups. Further, 85 CBDOs reported equity investments primarily in service and manufacturing businesses, most frequently in the $10,000 to $25,000 range. These data attest to the involvement of CBDOs in assisting small business enterprise development and suggest the involvement of CBDOs in assisting micro-enterprises — a critical component of business growth that often is not addressed by traditional lenders or venture capitalists.

In addition to investment activities, CBDOs are owner/operators of businesses. Survey respondents noted 427 such enterprises, 86% of which are in the service sector.

Reporting on the number of new jobs resulting from enterprise development activities during the past five years, the CBDOs indicated creating 27,322 permanent positions and retaining another 15,411 jobs.

CBDOs participate in development in a variety of ways and undertake a broad range of other community revitalization activities.

In addition to reporting their production achievements, survey respondents were asked to specify their current activities in programs for housing, commercial/industrial and business enterprise development.

In housing, the leading activity is substantial rehabilitation (costing at least $10,000 per unit), as cited by 79% of the CBDOs involved as housing developers. This is followed by acquisition (65%), home repair and weatherization (52%), new construction (50%) and property management (49%).

While the CBDOs engaged in commercial or industrial real estate development participate in a different mix of activities, rehabilitation is again at the top of the list, indicated by over 60% of the respondents. It is followed by property management, new construction of office or retail space, and infrastructure development.

Of the CBDOs involved in business enterprise development, 60% serve as owner/operators; 49% administer revolving loan funds; 43% package loans for approval by government agencies. Other prominent activities identified include providing entrepreneurial training (41%) and marketing assistance (37%).

Although this study focused on production in the three principal areas of development, CBDOs also were asked to report their other major services. The results point to participation in a broad range of activities, in concert with their development projects. Community organizing or advocacy is an activity for almost two thirds of the survey's groups. Many are involved in tenant counseling (41%), housing for the homeless (36%), homeowner counseling (31%) and emergency food assistance (23%). Other pursuits cited by at least 100 CBDOs are Community Reinvestment Act advocacy, child care, health care, arts and cultural activities, and arson and crime prevention.

Appendix A: Research Approach

A. Definitions

To qualify as a CBDO, the organization had to be (1) a private nonprofit entity, (2) serving a low-income community or constituency, (3) governed by a community-based board, and (4) an ongoing producer with at least one completed project in housing, commercial/industrial or business enterprise development.

To be sure that the survey provided accurate data, groups were asked to report *completed* development only. In the area of business enterprise development, the CBDO had to be either an owner/operator, equity investor or lender to be included in the survey pool. In housing, the threshold of $10,000 in rehabilitation per unit was used to distinguish housing development from home repair or weatherization.

B. The Sample

The core list of 3,650 organizations was provided by the Community Information Exchange; this was augmented during the course of the survey, for a total of 4,150 groups.

There were three mailings of the survey, interspersed with two postcard reminders, that took place between July and October, 1988. Research assistants made follow-up telephone calls to correct any questionable information. Responding were: 869 CBDOs (834 in time to be data processed); 127 "fledglings" in the early stages of development; 620 non-CBDOs (i.e., didn't meet the criteria set forth in the definition).

To determine how many of the nonrespondents were CBDOs versus non-CBDOs, a 10% random sample was drawn from the nonrespondents. This provided a list of 264 groups. (The total of the respondents and these nonrespondents adds to more than 4,150 because some nonrespondents eventually became respondents). About 20% of the random list proved to be CBDOs; multiplied by 2,640, this equals 528 groups. Adding this figure to the 869 (which included 45 surveys from the randomization that were data processed), tells us that the total number of groups on the list that would qualify as CBDOs is 1,400.

The list, while comprehensive, was not the universe of CBDOs. Because they are sometimes not part of a network and are geographically dispersed, some CBDOs no doubt were missed in creating the survey pool. Given the standards set forth in the definition (community-based, developer, completed projects), the total number of existing CBDOs is estimated to be between 1,500 and 2,000.

C. Special Considerations

1. Intermediary Organizations: There are several cities (including Boston, Cleveland, Minneapolis and San Francisco) with nonprofit intermediary organizations that work directly with CBDOs — and are themselves often involved in doing similar development. Despite being responsible for several thousand units of low-income housing, their output was *not* counted in this survey. This was to prevent duplication, through units also being reported by CBDOs with whom the intermediaries work.

2. Undercounting Production Levels: CBDOs with projects in the pipeline, including those under construction and those with their mortgage financing packaged — were not permitted to report the associated numbers of housing units (or the square footage for commercial/industrial real estate) as completed. Thus, organizations that had completed development were designated as CBDOs, but current projects were not counted.

3. Regional Distinctions: Costs of housing rehabilitation vary greatly across the nation. The $10,000 threshold was used to distinguish major from minor rehabilitation. Despite the tidiness of such a threshold, it undercounts the level of housing production in some places and overcounts elsewhere. In poor and rural areas of the south, for example, where a house might be worth less than $20,000, an $8,000 "home repair" is certainly major rehabilitation.

4. Home Repair/Weatherization: The survey did not distinguish between home repair — which could cover a range of costs from a few hundred dollars up to $10,000 — and weatherization. In some parts of the country, such as California, there are several special programs that provide funding for small-scale fix-up, largely for weatherization. This was discovered as a result of rechecking particularly high production levels reported from California groups. Weatherization, however, is generally undercounted. This is because many groups were filtered from being on the survey's mailing list if they were known beforehand to do only weatherization.

5. Housing and the Homeless: This survey did not attempt to distinguish housing provided for homeless people. Some of the CBDOs noted that they acquired, rehabilitated or otherwise provided shelter space (for which the appropriate counts would have been bed spaces). The total number of shelters, transitional facilities or bed spaces was not ascertained. However, 296 organizations report "housing for homeless" as one of their major services, in addition to their development activities; this could mean provision of referrals, counseling, bed spaces or other services.

The National Congress for Community Economic Development (NCCED) is a national, nonprofit membership association of community-based development organizations and their related partners engaged in the economic revitalization of distressed communities. Founded in 1970, NCCED encourages and supports its member's efforts through advocacy, training, fundraising, technical assistance, research, publications and special projects. NCCED convenes national biannual conferences to give its members and other professionals in the community economic development field an opportunity to meet and share information on important issues and innovative strategies. NCCED maintains a small, professional staff in Washington, D.C. to carry out and manage its programs.

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